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The Milk Price and Production Programs of Norway, Sweden, and Finland

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Conversion Factors

In May 1977, when the field work for this report was done, currency equivalents were:

U.S. $1.00 = 5.3 Norwegian kroner (NKr); 1 NKr = 19 U.S. cents
" " = 4.3 Swedish kronor (SKr); 1 SKr = 23 U.S. cents
" " = 4.1 Finnish markkaa (Fmk); 1 Fmk = 24 U.S. cents

Metric units used in this report equate as follows to U.S. measures:

1 liter = 1.03 kilograms of whole milk = 1.06 U.S. liquid quarts
1 metric ton = 1,000 kilograms = 2,205 pounds, and
0.454 kilogram = 1 pound

FOREWORD

Norway, Sweden and Finland—in common with most other countries of Western Europe—enjoy highly developed dairy industries. Two of the three—Norway and Finland—suffer a considerable degree of surplus milk production.

The largest block of the world's surplus milk production is in the nine countries of the European Community, whose dairy price and trade policies have been fairly thoroughly chronicled. Less is known in the United States about the dairy policies of non-EC producers in Europe, and this report is intended to fill that gap for the three Nordic countries.

Least-cost economics is not the sole criterion by which the non-EC Nordic countries judge the degree of success of their dairy policies. Maintenance of sufficient domestic dairy supplies, income targets for producers, and demographic goals (including maintenance of viable settlements in remote regions) are all objectives served by Nordic dairy policy.

These diverse policy objectives obviously cannot be encompassed within an uncontrolled free market and hence considerable government intervention is needed. The Nordic countries, however, find their interventionist dairy policies satisfactory—even taking into account the large cost to the central government.

A problem emerges, however, when surplus dairy production in the Nordic countries seeks outlets via exports to world markets. No self-supplying country—particularly a subsidizing country with its own surpluses—wants any part of another country's surplus. With most of the world's developed dairy economies currently struggling with such surpluses, the resolution of the surplus disposal problem is obviously one of the most pressing challenges in the industry.

So long as a high degree of national self-sufficiency is important—and if subsidy is a factor in achieving that supply—free international commercial trade in dairy products cannot be a practical solution to the worldwide dairy surplus problem. The description of the dairy economies of the three Nordic countries will be most useful if it conveys to the reader how deep-seated are those factors that rule against the classic free trade solution to the dairy surplus problem.

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THE MILK PRICE AND PRODUCTION PROGRAMS OF NORWAY, SWEDEN, AND FINLAND

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SUMMARY

In common with many other developed countries, Norway, Sweden, and Finland have dairy surplus problems. Nevertheless, in these respective countries, the dairy support systems are fully accepted.

The Governments of the three Nordic countries under review can be called "participatory." Either directly or through producer cooperatives, they do not hesitate to direct or to initiate actions that the United States prefers to leave to market determination.

Perhaps a high degree of intervention in the dairy economies of these three countries is necessary because of the multiple purposes their dairy policies are designed to serve. A free-market price obviously cannot simultaneously encourage least-cost production, provide adequate incomes to producers, maintain abundant supplies to all classes of consumers, assure continued settlement in remote (but strategically important) geographic areas, and serve a national security purpose by assuring a considerable degree of self-sufficiency.

Therefore, subsidies are a common element in milk production and marketing in Norway, Sweden, and Finland. In some respects, these can be designated as producer subsidies; in other respects they are consumer subsidies. In "normal" years, these subsidies lead to surpluses despite traditionally high consumption levels and consumer prices that are relatively low compared with those of other foodstuffs.

Although effective, these dairy intervention measures are costly. In Norway and Sweden, through the retail stage, about one-half of the full costs of dairy output is recovered in the marketplace, while the other half is provided by subsidy or other nonmarket payments. In Finland, the corresponding shares are about 70 percent through the market and 30 percent by subsidy.

Rather involved organizations are necessary to devise and administer the programs that make these payments and to provide necessary guidance. Almost all of them are cooperatives which are owned and managed by farmer members and sometimes function as quasi-government agencies.

Although the typical dairy herd in each of the Nordic countries is small by U.S. standards, this is not viewed as a serious drawback. Income targets and milk prices are scaled to herd sizes that are deemed to provide full employment for one farmer, and many of the herds are kept on farms engaged also in other enterprises. Average 1976 herd sizes were 8 milking cows in Norway, 13 in Sweden, and 7 in Finland. These compare with a 1976 average herd size of more than 40 in the United States, and nearly 34 in Wisconsin, the largest milk-producing State.

[1] This bulletin is based on a trip report by Mr. Avidor, following an extensive survey of the dairy industries of the respective countries in May 1977. Mr. Karpoff assisted in the adaptation of that report. At the time of Mr. Avidor's survey, both were members of the Dairy, Livestock, and Poultry Division, FAS.

Excluding direct income payments, average 1976 gross dairy income per farm selling milk was equivalent to about $U.S. 12,000 in Norway, more than $18,000 in Sweden, and nearly $10,000 in Finland. These per farm incomes equate to about $1,500, $1,400 and $1,380 per cow, respectively, compared with slightly over $1,000 per cow in Wisconsin. Such returns enable only full-time, efficient dairymen to live on a scale comparable to nonfarm workers. Full-time dairy enterprises are in fact larger than the above national averages, but the owner of an average-sized herd would typically have either additional enterprises on his farm, or outside employment for himself or a family member.

Per capita consumption of milk and dairy products in the three Nordic countries is high—ranging in 1976 from about 60 to 120 percent higher than in the United States. Nevertheless, consumption was only about 90 percent of production in Norway and 80 percent in Finland. (Sweden was approximately self-sufficient.) The surplus was in each case exported, with the help of aids (subsidies) that are described in the respective country sections. These aids or subsidies apply at either the production, domestic marketing, or export marketing stages, and permit the affected product to enter international trade channels at a price lower than the domestic cost of production.

NORWAY

Norway is the northernmost country in Europe, with more than a quarter of its total area north of the Arctic Circle. Farming in Norway is greatly affected by the country's geographic location and topography. High mountains and deep fjords mark the landscape and limit the area suitable for agriculture. However, the Gulf Stream moderates the climate even in the northern regions of the country and extends the growing season beyond expectations based solely on latitude.

Reflecting the mountainous terrain, only 3 percent of the total land in Norway is arable and farms generally are small. Agriculture is highly oriented toward animal production with the dairy sector accounting for 35-40 percent of total farm income. The dairy industry is managed and regulated toward three principal objectives of public policy:

- Production target—to meet domestic needs of milk and dairy products, especially in the fall and winter when monthly production is lowest.
- Income target—to provide full-time efficient dairy farmers with net income per man-year comparable with that received by industrial workers.
- Productivity target—to achieve an optimal use of dairy resources through structural rationalization of small farms into larger more efficient ones.

The above goals are pursued through price incentives and disincentives that supplement the usual price mechanism. Thus, prices are the major tool of economic policy to regulate the dairy sector.

Production

In recent years Norway has been about 110 percent self-sufficient in milk production, and one-third of its cheese output is exported. The excess supplies of milk over domestic requirements result from improved yields per cow and seasonal peak supplies, both stimulated by attractive producer returns. Excluding direct income subsidies, Norwegian dairymen in 1976 received an average of 1.65 NKr (31 U.S. cents) per liter of milk delivered, a price about 40 percent higher than the 1976 average milk price received by U.S. dairymen ($9.66/100 lb = 22 cents/liter). This considerably higher producer price for milk is attributable primarily to the Government social commitment to support the income of dairy farms, the majority of which are small (eight cows per farm is the national average) and expensive to operate.

In early 1977 measures to curtail chronic milk overproduction included:

(1) Graduated premiums: the premium was 0.01 NKr/liter where 1977 production did not exceed 1976's. The premium increased gradually to a maximum of 0.07 NKr/liter where production was reduced by 4 percent or more.

(2) Compulsory purchase by farmers of butter (6 kg/producer/month), and of skim milk, nonfat dry milk (NFDM), and whey powder for feeding purposes.

In 1977 production quotas were being debated. The debate will likely be of considerable duration because of the unpopularity of quotas with farmers.

Nevertheless, because of efforts to curb supplies, 1977 milk output remained near the 1976 level.

Trade

Norway's 1976 cheese exports—20,530 tons worth $38 million—were one-third in value above those of 1975. The United States was the largest market, accounting for over 50 percent of the total value. Jarlsberg cheese, an Emmenthaler type, has found a growing market in the United States and in 1976 comprised more than 90 percent (7,550 tons) of total shipments to the United States.

In order to avert the imposition of U.S. countervailing duties against imports benefiting from subsidy, grant, or bounty, Norway made some changes in its cheese-exporting procedures in mid-1976. For Jarlsberg cheese, previously applicable export aids were eliminated, resulting in a U.S. finding that subsidy was no longer effective for that variety of cheese. For other cheeses exported from Norway to the United States, export subsidy was found to be in effect, but agreement was reached that both the extent of subsidy and the degree of market promotion would be restricted to historic levels, and that a temporary waiver of countervailing duty would then be allowed. (See appendix II, reprints from *Federal Register.*)

Most of Norway's dairy imports are cheese; the amount is limited by the small annual quota of 600 tons, which is established on a global basis.

Consumption

Compared with that of the United States, per capita dairy consumption in Norway traditionally has been high, partly because of national habit and partly because of attractive retail prices that are held down by consumer subsidies. As in the United States, the pattern of dairy consumption has shifted somewhat in recent years toward greater use of skim milk and cheese. Except for skim and lowfat milk, Norway's per capita consumption of dairy products in 1976 far exceeded that of the United States (shown in kilograms):

	Norway	United States
Whole milk	166	79
Skim and lowfat milk	26	38
Cheese (all types)	10.2	7.2
Butter	5.2	2.0

Marketing System

Collection, processing, and distribution of milk and dairy products in Norway are carried out solely by dairy cooperatives. All of Norway's commercial dairymen—50,000 in early 1977—belong to local dairy cooperatives, each of which participates in one of the six national milk pools.

The milk pools have two main functions:

(1) To administer the price equalization scheme for milk so that all producers within the pool receive the same price for milk irrespective of its utilization. (This is done by monetary transfers from dairies with the most profitable milk use—milk for fluid consumption—to dairies with less profitable milk uses, such as butter.)

(2) To assist in rationalizing milk transport, receiving, and processing operations. (The number of dairies dropped from 650 in 1930 to 192 in 1977.)

Nationally, the two all-encompassing central cooperative dairy organizations are:

(1) The Norwegian Milk Producers' Association, whose main function is to administer the equalization of milk prices by pooling dairy revenues on a countrywide basis. It also presents and defends the economic and social interests of the dairy industry to the Government, coordinates the activities of the milk pools, regulates and improves the market for fluid milk, and acts in an advisory capacity for producers.

(2) The Norwegian Dairies' Sales Association, which is responsible for the sale of manufactured dairy products on the domestic market and overseas.

Marketing of dairy products in Norway is done in accord with the Marketing Act of 1930—the Magna Carta of Norway's farm marketing legislation. This legislation was enacted to promote the cooperative marketing of farm products through development of rational marketing and regulation of the market by storage, sales promotion, information, and export. The Act prescribes the net equalization of producer returns for alternative uses of milk. The Act also provides the legal basis for collection of producer fees to be paid into the Product Funds (0.0025 NKr/liter for milk) for use in financing market regulation schemes. In early 1977, the Product Funds were largely financed by the Feed Fund, which in turn is financed by a levy on purchased concentrates.

The Agricultural Agreement between the Government and farmer organizations, revised and renewed every other year, spells out maximum allowable wholesale and retail prices for dairy products, the level of support to be accorded the dairy sector, and

specific regulations affecting the marketing of milk and dairy products. The Agreement compensates dairymen for increased costs, raises income based on periodic nonfarm wage settlements, and thus helps to close the income gap between farm and nonfarm sectors. In the Agricultural Agreement for 1976-78 milk prices for producers were raised by about 0.2 NKr/liter and maximum allowable wholesale and retail prices (compared with early 1977 retail prices) were increased as shown in the table above (in NKr).

Commodity and unit	Wholesale	Retail	
	Maximum 1976-1978	Maximum 1976-1978	Actual May 1977
Whole milk (3.9 percent fat), per liter	1.31	1.93	1.61
Butter (unsalted), per kilogram	9.84	14.50	14.40
Cheese, per kilogram			
Jarlsberg	13.00	20.30	17.30
Normana (blue-veined)	12.97	20.00	–
Cheddar	13.52	20.90	–

Changes in Norway's retail dairy prices depend on the existing supply/demand balance conditions (which generally fluctuate seasonally) as well as on Government efforts to stabilize the consumer price index, of which milk and dairy products are an important component.

Dairy Income

The 1976-78 Agricultural Agreement identifies dairying income in Norway as obtained chiefly from the following sources:

(1) The farm price, which includes several inseparable nonmarket components:

(a) The general Government price supplement of 0.1906 NKr/liter (ranging from 0.15 in the summer to 0.22 in the winter to level out seasonal variations) with a deviation of 0.008 NKr/liter for each 0.1 percent fat variation from the 3.9 percent standard milkfat content.

(b) The consumer subsidy (including a partial refund of the VAT[2]) which is paid to the milk pools through the Association of Norwegian Milk Producers for dairy products (excluding cream) consumed domestically. Approximate prevailing subsidy rates in May 1977 were: whole milk–2.0 NKr/liter; skim milk–2.0 NKr/liter; cheese–7.0 NKr/kg; and butter–2.0 NKr/kg. The intent of this subsidy is to promote domestic dairy consumption and to stimulate cheese manufacturing relative to butter. This subsidy lowers consumer prices, but at the same time increases farmer receipts in direct proportion to consumer use of fluid milk and dairy products.

(c) Subsidies to finance exports of dairy products at world prices. These become inseparable from the price of milk, because milk processed for export products is not handled separately.

(2) Direct income payments, including:

(a) Regional subsidy (ranging from nil in central areas to 0.43 NKr/liter in Finnmark) to compensate for adverse production conditions.

(b) Freight subsidy (ranging from 0.037 NKr/liter in western Norway to 0.121 in Finnmark) to equalize transportation costs throughout the country.

(c) Graduated support system based on farm size, location, and percentage of income derived from off-farm sources.

(d) Fertilizer subsidy.

(e) Leisure and social welfare grants for vacation relief, stand-in scheme, and sick pay.

About one-half of total farmer dairy income in Norway in 1976 from all these sources came from Government payments, the rest from the market.

The average 1976 gross income per farm from dairying (excluding direct personal income payments) was:

$$\frac{1.65 \text{ NKr}}{\text{liter}} \times \frac{4{,}840 \text{ liters}}{\text{cow}} \times \frac{8 \text{ cows}}{\text{farm}}$$

$$= 63{,}888 \text{ NKr} = \$12{,}054$$

Most dairy farmers supplement their incomes by additional work because returns from dairying alone are inadequate. Also the long hours and confinement

[2]VAT is the Value Added Tax, a form of sales tax levied in practically all West European countries.

NORWAY

Clockwise from top left: Steep slopes and humidity require hand labor and drying racks for successful haymaking; this farmer has witnessed giant strides in dairy techniques; sloping farm land is diverted to pastures and hay; in push grass cows take their ease early in the day; Norwegians rank among the world's top cheese eaters; bulk pickup is common among Norway's larger milk producers.

required in dairy farming, and the fact that part of the income ought to be regarded as a return on capital investment, tend to make dairymen's real labor returns lower than wages in the industrial sector.

Structural Trends

The number of dairy farms in Norway has declined steadily during the last two decades, with smaller farms abandoned or integrated into larger ones. Similarly, the national dairy herd shrank from 552,000 cows in 1964 to 386,000 in 1976. Milk output, however, has gained nearly 15 percent since 1964 because of rising yield per cow, primarily through improved management and breeding stock. Local breeds were predominant in Norway before World War II, but today the Norwegian Red (an Ayrshire type) is the most common breed.

SWEDEN

Sweden, roughly the size of California, occupies the eastern part of the Scandinavian Peninsula at about the same latitude as Alaska. The climate is milder, however. Arable land is scarce since forests, mountains, moorland, and lakes cover more than five-sixths of the country. Soil and climate favor the production of feed crops (hay, silage, pasturage, and feed grain). As in Norway, agriculture in Sweden specializes in animal production with output chiefly in the form of beef, pork, and milk. The dairy sector alone usually provides more than one-third of Sweden's total farm income.

Three targets dominate Sweden's current dairy policy:

- Production—To supply all domestic needs for milk and milk products. (Some continued import of cheese is presumed, offset by exports of other dairy products.)
- Income—To provide efficient farmers with the opportunity to obtain income levels comparable to those of other sectors of the economy and to share in the general rise in the standard of living. (Price regulation and rationalization schemes are the main means to achieve this target.)
- Rationalization—To provide structural improvements through specialization and enlargement of potentially viable farms, thus encouraging a more nearly optimal utilization of labor, land, and capital.

Production

In recent years Sweden has been practically self-sufficient in milk and dairy products. A 20-percent overproduction of butter and NFDM has been offset by a 15-percent shortfall in cheese. Surplus butter and NFDM are exported, while the deficit in cheese consumption is offset by imports.

Production of milk in Sweden rose by about 2.5 percent in 1976 with higher yields per cow more then offsetting a decrease in cow numbers. The increased yields were attributed to attractive producer returns and the high quality of the 1975 hay crop. More than 75 percent of all milk delivered was used for fluid milk products and cheese.

Sweden's 1976 national average producer return for milk (excluding direct income payments) of 1.25 SKr/kg (29 U.S. cents/kg) was somewhat lower than those for Norway and Finland, but still nearly 40 percent above the comparable U.S. price. The greater size of dairy farms (13 cows per herd is the national average) is an important reason why milk prices in Sweden are lower than in Norway and Finland.

In mid-1977 no significant measures to control milk production were being undertaken in Sweden, and output in 1977 probably remained unchanged from that of 1976. Increasing yields per cow (in 1977 approaching 4,900 kg per year) about offset the annual exodus of dairy farmers and their cows from the industry. Dairy herds numbered over 50,000 in early 1977.

Trade

Sweden is a consistent net importer of cheese, but imports of other dairy products are normally negligible. Imports of cheese are subject to a fixed levy (e.g. 6.36 SKr/kg in mid-1977 for hard cheeses) as long as the domestic wholesale price remains between fixed upper and lower limits. Increased consumer demand in Sweden raised 1976 cheese imports to 17,500 tons, with Denmark the largest supplier. In 1977 imports probably declined to about 15,000 tons as a result of increased production capacity and preference given to domestic cheese output.

Dairy exports in 1976 were wideranging. Most of the NFDM surplus (30,700 tons) was shipped out of

the country and stocks in early 1977 were considered normal at less than 10,000 tons. Butter exports amounted to nearly 9,000 tons and whey powder 7,500 tons. Cheese exports of 3,000 tons were considered small; nearly one-half were shipped to the United States, the largest market. Cheese exports to the United States were mostly of processed types, including Fontina, Riddar, and Svecia.

With the possibility of U.S. countervailing duties in the offing, Sweden agreed in mid-1976 to eliminate its subsidy on cheese exports to the United States on Colby, Cheddar, and Emmenthaler type cheeses. At the same time—to qualify for a temporary waiver for those cheeses on which subsidies were retained—Sweden agreed not to market them aggressively in the United States. (See appendix II.)

Consumption

Consumer dairy preferences in 1976 favored a continued displacement of whole milk (3.0 percent fat) by low-fat milk (0.5 percent fat), an almost complete disappearance of skim milk from the retail market, and an increased use of cheese, the latter stimulated by consumer subsidies. These trends have led to increased butter exports and cheese imports.

Per capita consumption of milk and principal dairy products in 1976 was:

Liquid milk (all types, in liters)	
Standardized (3.0 percent fat)	109
Standardized (0.5 percent fat)	55
Skim milk (0.05 percent fat)	2
Fermented milk	20
Total	186
Butter (including milkfat-bearing table spreads)[3]	7.2 kg
Cheese (all types)	11.9 kg

Under the farm program for the 3 years that ended in mid-1977, maximum allowable retail prices were revised semiannually (on January 1 and July 1) by an agreement between the Government and a consumers' delegation. Dairy product prices (excluding butter) have been subsidized by the Government and kept partially frozen since 1973. The present Swedish Government is expected to let consumers pay a larger share of dairy cost increases resulting from producer income compensation, thus decreasing the role of subsidies in the dairy price structure. For 1977, the increased dairy compensation awarded was about 335 million SKr, but Government subsidies financed only 105 million SKr, so that consumers had to pay the rest through higher prices.

Retail prices throughout Sweden vary somewhat owing to regional, seasonal, and efficiency factors. On a national average, retail prices in early 1977 were: Standard milk (3.0 percent fat)—1.53 SKr/liter; butter—13.36 SKr/kg; and cheese (Svecia)—21.41 SKr/kg.

Marketing System

(1) Structure

The dairy industry in Sweden is organized on a cooperative basis. The co-ops are owned and managed by dairy farmers. In mid-1977, the 35 local dairy cooperatives and 116 dairy plants in Sweden were all directly or indirectly members of the Swedish Dairies' Association (SMR), the central organization of the cooperative dairy industry. SMR handles about 99 percent of all the milk delivered and cheese produced, distributing it to retailers without intervening private wholesalers or jobbers.

The main functions of SMR include: Representing the dairy industry, coordinating market activities, handling foreign trade, marketing butter, and planning and disposing of industrial milk supplies. Cheese is marketed by a special organization (Riksost) which is owned by the cheesemaking dairy cooperatives. Scandmilk, an SMR subsidiary, is responsible for milk powders and whey powder.

The largest member of SMR is Arla, a dairy cooperative that supplies 60 percent of the domestic market.

(2) Price Determination

Producer milk prices are fixed by semiannual negotiations between the Government (represented by the National Agricultural Marketing Board, which includes consumer representation) and a farmers' delegation (consisting of members appointed by the Federation of Swedish Farmers, LRF). These prices are implemented by the Association for Trade in Milk and Dairy Products, which works under the directives of the Board. Producer prices are revised twice a year, January 1 and July 1, on the basis of increases in production costs (the inflation rule) and developments in world market prices.

[3] One new edible spread contains 65 percent milkfat; there is also a low-fat margarine containing butter oil.

The price-regulation system specifies upper and lower price limits and import levies. The import levies remain unchanged so long as domestic wholesale prices stay within the fixed price range. The upper price limit protects the consumer, while the lower limit protects the producer. Between these limits is the desired "middle price."

An Equalization Fund stabilizes producer prices and ensures that milk producers receive the same return regardless of utilization. Equalization allowances are distributed to the dairies—and disbursed by them to farmers—based on the volume of milk delivered by producers. Payments from the Fund also include assistance for exports, aid for production of butter oil, quality premiums for cheese, and support for storage of dairy products. The Equalization Fund is financed by the consumer subsidy (65 percent), by import levies (10 percent), by production and sales fees collected on milk, cream, and cheese (20 percent), by a minor Government milk fee, and by other miscellaneous sources. Compensatory fees corresponding to the production and sales fees and the general milk fee are imposed on imports of dairy products.

In 1975/1976 the sources of financing for the Equalization Fund were (in million SKr):

Import levies (including compensatory fees)	272
Production and sales fees	495
General milk fee	7
Consumer subsidy	1,576
Others	36
Total	2,386

Most of the proceeds from the Equalization Fund are paid to producers through their dairies.

In principle, then, the basic producer price for milk in Sweden consists of two components: (1) a market return, net after fees and margins, plus (2) an equalization premium. This premium is paid equally to all producers in proportion to the amount of their milk deliveries. In 1976, for example, milk producers in Sweden received an average return of 1.25 SKr/kg, excluding direct income payments. The average return consisted of about 0.8 SKr/kg from the Equalization Fund, and 0.45 SKr/kg from direct market returns, net of production and sales fees, for milk used alternatively for fluid consumption, butter-powder, or cheese-whey.

In practice, returns for milk used for fluid consumption slightly exceed those for industrial milk. All other things being equal, returns from fluid use in early 1977 were 0.08 SKr/kg higher than for milk used for butter-powder.

Dairy Income

Dairying income in Sweden is chiefly obtained from the following sources:

(1) Realized value of sales of milk for domestic consumption and for export, including market-related subsidies. The consumer subsidy, falling in this category, is quite substantial (over 1.5 billion SKr in 1975/76) because retail dairy prices have been partially frozen since 1973.

(2) Levies and compensatory fees on imported dairy products.

(3) Direct payments intended to promote farm rationalization and to provide efficient farmers with income comparable to that of workers in the nonfarm sector, including:

(a) Regional compensation for adverse production conditions, ranging in 1976 from nil in the south to 0.19 SKr/kg in the north (amounting, as a national average, to 0.026 SKr/kg).

(b) Supplemental support to farms in northern Sweden.

(c) Allowance for small milk producers (graduated according to deliveries of milk).

(d) Support, to full-time farmers, for farm rationalization.

(e) Retirement compensation (graduated according to age).

(f) Readjustment allowance for farmers who give up employment in agriculture.

Of total 1976 Swedish dairying income from all the preceding sources (excluding intra-industry transfers, such as the production and sales fees, which are redistributed in the equalization premium) nearly one-half was obtained from the Government and the remainder from market returns.

The average 1976 gross milk income per herd (excluding direct income payments) was:

$$\frac{1.25 \text{ SKr}}{\text{kilogram}} \times \frac{4{,}850 \text{ kilograms}}{\text{cow}} \times \frac{13 \text{ cows}}{\text{farm}}$$

$$= 78{,}812 \text{ SKr} = \$18{,}328$$

Although this income level was considerably above those of Norway and Finland, it is still below the annual urban wage rate, especially considering the typical labor inputs and capital investments required in dairying.

SWEDEN

Clockwise from top right: High labor costs encourage mechanical gutter cleaners and in-stall waterers even for small herds; dampness delays curing of hay and grain, so demonstrator loads drying racks with mechanical rake and stacker, while small grain is shocked to dry; spray irrigation improves yields; school breakfast for youngsters emphasizes dairy products; level land in southern Sweden favors large-scale farms.

Structural Trends

Dairying in Sweden has undergone rapid structural change during the past two decades. The number of farms with dairy herds has decreased from 200,000 in 1960 to 52,000 in 1976, while the average dairy herd in the last decade has doubled to 13 cows. Meanwhile, chiefly because of improved genetics and feeding methods, the efficiency of milk production has steadily increased, with output per cow rising in the last 20 years by 50 percent (to 4,850 kg in 1976). Milk output, reflecting policy goals and the above trends, has declined sharply from 4.6 million tons in the early 1950's to 3.1 million tons in 1976.

Sweden's cow population consists mainly of two breeds: Swedish Red and White, which comprises nearly two-thirds; and Swedish Friesian, which accounts for about one-quarter of the total.

FINLAND

Finland is characterized by its unspoiled nature. Lakes cover about 10 percent and forests nearly 60 percent of Finland. Finland has a common westem border with Norway and Sweden, and a 1,300-kilometer eastern border with the Union of Soviet Socialist Republics. Nearly a third of its land (Lapland) lies north of the Arctic Circle. Nevertheless, the Gulf Stream moderates the Finnish climate which is generally comparable to that of New England. Natural conditions favor grass and forage production, and therefore dairying.

The dairy sector constitutes the most important element in Finland's agriculture, accounting for about 45 percent of total farm income in recent years. Earnings from dairying are of paramount importance to the livelihood of Finland's rural population, since most farms are small (a seven-cow herd is the national average) and since milk production is the most suitable agricultural enterprise for communities in northern and eastern parts of the country.

The basic objectives of dairy policy in Finland have been to:

- Maintain self-sufficiency in production, including supplies during the nonpasture months when milk output is low.
- Improve income to a level comparable to that of other sectors of the economy by increasing productivity and by making structural improvements.

These goals are approached through considerable Government intervention which is intended to help small farmers earn adequate incomes. Dairy pricing policy in Finland faces the familiar dilemma of how to produce enough milk without overproducing, and how to provide producers with acceptable incomes without incurring burdensome Government expenditures. On the farm level, the existence of many small units–a structural handicap–requires that producer milk prices be relatively high to support adequate incomes. Yet, on the macrolevel, it becomes a problem to finance dairy surpluses produced by responsive farmers at prices above the world market. Thus, Finland's dairy policy hinges upon the tradeoff between maintaining small farmer income and financing surplus exports, in a market economy that does not differentiate according to size of producer.

Production

Finland in recent years has been about 125 percent self-sufficient in milk production, with excess output exported as butter, cheese, and whole milk powder. Total milk production rose nearly 4 percent in 1976, spurred by higher milk prices and high quality feed crops that improved yield per cow. Finland's target price for milk during most of 1976–1.087 Fmk/liter–was supplemented by a Government producer payment of 0.22 Fmk/liter (intended to cover increased costs of production) to yield a total of about 1.31 Fmk/liter (32 U.S. cents/liter). At this price (similar to that in Norway), Finnish dairymen in 1976 benefited from milk prices more than 40 percent higher than those in the United States. This price differential probably is offset by unfavorable size of farms, and higher operating costs facing the Finnish dairy farmer.

Dairy stocks at 1976 yearend amounted to 7,000 tons of butter, 10,000 tons of cheese, and 30,000 tons of NFDM, respectively 9, 18, and 35 percent of annual production.

To control milk production and improve structural efficiency, in mid-1977 the Government's program included:

(1) A producer marketing fee of 0-0.035 Fmk/liter (depending on the region, zero in the north), which may be used to finance exports of surplus production. In 1977, proceeds from this fee (estimated at 85 million Fmk) could pay for exports of all production above 130 percent of domestic needs. Thus, if 1977 output exceeded 2.79 billion

liters, the excess could have benefited from direct Government aid for export.

(2) Retirement pension.

(3) Pensions to withdraw from farming.

(4) A tax on concentrate feed of 0.06 Fmk/kg, and a tax on fertilizer of 0.05 Fmk/kg.

(5) Reforestation programs.

Reflecting these efforts to curb excess milk supplies, production in 1977 probably declined 2 percent from that of the year before.

Trade

Finland's dairy imports are limited by a quota of about 200 tons for cheese. Licenses are issued against this quota on a global basis, but normally imports are negligible. Exports of butter, cheese, and whole milk powder, however, have been of major importance in recent years.

In 1976, reflecting the growing excess of production over domestic use, butter and cheese exports surged by nearly 50 percent. The Soviet Union was the main export market for butter and whole milk powder in accord with a 5-year contract to ship annually about 22,000 tons of whole milk powder, 5,000 tons of butter, and 2,000 tons of cheese. More than one-third (9,250 tons, valued at $18.4 million) of all cheese exports in 1976 went to the United States, the largest market.

In mid-1976, Finnish cheese exports to the United States were granted a temporary waiver from countervailing duty after an agreement with Finland to reduce cheese export subsidies substantially. (See appendix.)

Consumption

Because of Finland's rising standard of living, the trend in food consumption has moved toward less starchy foods, increased meat consumption, and less use of dairy products. Despite steady declines, Finland's per capita milk and butter consumption is among the world's largest. Butter use is responsive to the margarine/butter price ratio and also is susceptible to campaigns against consumption of polysaturated fats. Cheese consumption, however, has remained below that of most other West European countries with well-developed dairy economies. Finland's dairy intake per capita in 1976 was: Whole milk—67 liters; skim and low-fat milk—169 liters; butter—12.7 kilograms; and cheese (all types)—6.2 kilograms.

Maximum allowable retail prices are fixed annually by an agreement among the Government, the National Board of Consumer Affairs, and trade unions. The following retail dairy prices were at their indicated ceiling levels in May 1977:

Whole milk	1.83 Fmk/liter
Skim milk	1.26 Fmk/liter
Butter (salted and unsalted)	19.16 Fmk/kilogram
Cheese	
Emmenthaler	19.76 Fmk/kilogram
Edam	16.10 Fmk/kilogram

To stimulate domestic butter consumption, a retail butter subsidy of 1.1 Fmk/kg prevailed in early 1977.

Marketing System

Cooperatives predominate in processing and marketing milk and dairy products in Finland. In 1976, over 90 percent of milk sales off-farm were handled by cooperative dairies. Practically all processing and distribution plants are farmer-owned cooperatives and almost all of them are part of Valio—the Finnish Cooperative Dairies' Association. Local plants sell their dairy produce to Valio at a fixed price. Thus, Valio acts as the equalizer of dairy returns on a national basis. Through its 155 member cooperatives in 1976, Valio marketed about 90 percent of all butter, and over 80 percent of total cheese sales. Since most surplus production winds up in the hands of Valio, it handles about 90 percent of Finland's dairy exports. The United States is the largest purchaser of Valio's cheese exports, principally Emmenthaler.

Dairy Income

Price and income agreements—the cornerstone of Finland's farm policy—are authorized by a basic 3-year farm income law that aims to keep returns for farmers in line with returns to nonfarm labor by adjustment in producer prices.[4] This objective is achieved through annual farm price and income agreements between the Government and MTK (the Central Union of Agricultural Producers). Income settlements for milk—although tending to bring about regular surpluses, and to push dairy prices well above world levels—have been deemed necessary because dairying is the principal livelihood of rural communities in the north and east where depopulation pressures are the greatest.

[4] The preceding income law expired on March 1, 1977; a new one was concluded in December 1977.

The main sources of dairy farm income in Finland are:

(1) The market return, which in turn is related to a target price. Efficient dairies strive to pay the target to their producers. The target is the principal tool of income policy. It takes into account the volume of agricultural production in the previous year, domestic producer prices, and increases in nonfarm wage rates and input costs.

On March 1, 1977, the annual average target price for milk was raised from 1.087 to 1.192 Fmk/liter, with allowance for seasonal variations resulting in a range of 1.17-1.21 Fmk/liter. At the same time the special producer subsidy was reduced from 0.22 to 0.15 Fmk/liter, so producer returns rose by only 0.035 Fmk/liter. A supplemental milk-fat premium was awarded for each 0.1 percent of milk-fat above the 4.3 percent standard. Export subsidies paid to finance the sale of dairy products overseas are also reflected in the farm milk price.

(2) Direct income and stabilization payments, comprising:

(a) Regional compensation for adverse production and transport conditions ranging from nil in the south to 0.042 Fmk/liter in the north.

(b) Premiums, varying on a regional basis, for cow numbers up to seven cows per herd.

(c) Farm vacation scheme.

Of this dairy farm income in 1976, nearly 30 percent was obtained from Government supports while the rest was received from the market.

A representative dairy farm near Kuopio—in the heart of Finland's dairyland—received the following prices for its milk deliveries in late 1976:

Target price paid by dairy . .	1.09 Fmk/liter
Producer subsidy	0.22 Fmk/liter
Regional subsidy	0.04 Fmk/liter
Gross producer return . . .	1.35 Fmk/liter

Based on the national average herd size and annual yield per cow, a representative 1976 gross income per farm from dairying was:

$$\frac{1.35 \text{ Fmk}}{\text{liter}} \times \frac{4{,}200 \text{ liters}}{\text{cow}} \times \frac{7 \text{ cows}}{\text{farm}}$$

= 39,690 Fmk = $9,680

When converted from gross to net, this income level clearly trails that of the nonfarm sector in view of expenses of production, the long hours of work, and the substantial capital investment required in dairying.

The concentration of Finland's dairy industry under Valio's control has facilitated the development of efficient large-scale milk processing plants. The country's largest cheese plant, owned by 11 local cooperatives, has an annual production of 8,000 tons of Edam and Emmenthaler cheese.

The country's second-largest butter and drying plant, owned by Valio and 60 member cooperatives, processes milk and products from 15 receiving plants. Its churns produce 4,000 tons of butter per year, and its dryers 19,000 tons of powder, which includes whole milk powder, nonfat milk powder, and whey powder. The latter two powders are used primarily for animal feed.

Valio markets the entire output of both plants. They are in the milk-abundant Lapinlahti area, in middle eastern Finland.

Structural Trends

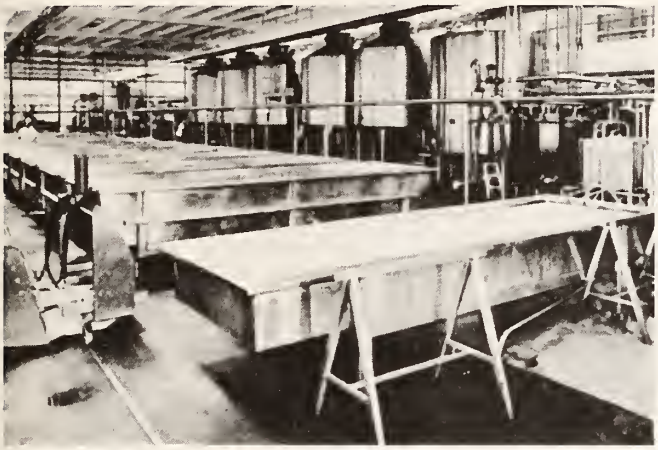
Despite an urgent need for restructuring the dairy industry toward larger and more efficient farm units, the pace so far has been slow, although some changes have been made:

(1) A gradual decrease, during the 1970's, in the number of farmers delivering milk (115,000 by the end of 1976) and a small increase in herd size, to the seven-cow average of 1977.

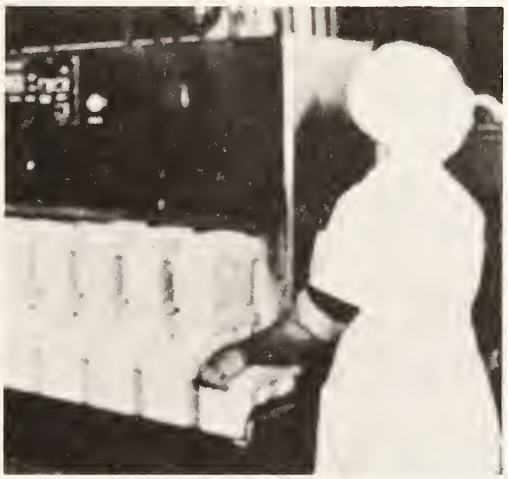
(2) A 30 percent increase over the past 10 years in yield per cow, reaching 4,200 kg in 1976. This resulted from improved management and breeding (Finnish Ayrshire is the principal breed). The rising yields in recent years have offset the reduction in milk output that otherwise would follow from the steady decline in cow numbers.

(3) A shift in dairy farming from the south to the north and east where the competitive pressures from other farm and nonfarm enterprises do not press so heavily against the dairy industry.

FINLAND



Clockwise from top left: The curds in these vats will become Emmenthaler cheese; two steps in the preparation of Edam cheese; vacation substitute listens as Finnish farmwife introduces the herd; simple milking machines suffice for small herds; outdoor storage tanks tower over a large Valio dairy plant. Finland's dairy sector has accounted for more than 40 percent of the country's total farm income in recent years.



APPENDIX I.

TABLE 1.–GENERAL ECONOMIC DATA: NORWAY, SWEDEN AND FINLAND, WITH U.S. COMPARISONS, 1976

Country	Population	Gross national product, in dollar equivalent		Area	
		Total[1]	Per capita	Total	Agricultural land
	Millions	*Bil. dol.*	*Dollars*	*Mil. hectares*	*Percent*
Norway	4.0	[2] 27	6,640	32	3
Sweden	8.2	[2] 66	8,000	45	7
Finland	4.7	28	5,990	34	8
United States	215.1	1,706	7,930	936	22

[1] At 1976 exchange rates. [2] 1975 data.

Sources: Population and GNP data are from *International Financial Statistics*, an International Monetary Fund publication. Area data are from the FAO 1975 *Production Yearbook*.

TABLE 2.–MILK AND DAIRY PRODUCT PRICES: NORWAY, SWEDEN AND FINLAND, WITH U.S. COMPARISONS, 1976 AND EARLY 1977

Product	Unit	National average prices in U.S. currency equivalent			
		Norway	Sweden	Finland	United States
		Dollars			
At farm, 1976					
Milk[1]	100 kg	30.2	29.1	31.0	21.3
Retail, early 1977[2]					
Whole milk	liter	.30	.36	.45	.43
Butter	kg	2.72	3.11	4.67	2.81
Cheese[3]	kg	3.26	4.98	4.82	3.72

[1] Including producer supports but excluding direct income payments applicable in Norway, Sweden, and Finland. [2] After subsidy, when applicable. [3] Jarlsberg, Svecia, Emmenthaler and processed American, for the respective countries.

Sources: The Norwegian Milk Producers' Association; Sweden's National Agricultural Marketing Board and SMR (The Swedish Dairies' Association); Valio (The Finnish Cooperative Dairies' Association); Economic Research Service, USDA.

TABLE 3.–MILK PRODUCTION AND UTILIZATION: NORWAY, SWEDEN, AND FINLAND, WITH U.S. COMPARISONS, SELECTED YEARS, 1964-1976

Country	1964	1968	1972	1976	
				Total	Per capita[1]
	Thous. MT	*Thous. MT*	*Thous. MT*	*Thous. MT*	*Kg*
Production					
Norway	1,664	1,786	1,829	1,892	469
Sweden	3,636	3,300	2,972	3,247	395
Finland	3,826	3,596	3,286	3,278	693
United States	57,607	53,177	54,388	54,593	254
Fluid use					
Norway	877	911	917	912	192
Sweden	1,368	1,342	1,256	1,320	186
Finland	1,357	1,269	1,175	1,367	236
United States	26,833	25,563	25,021	23,915	117
Factory use					
Norway	720	830	883	949	–
Sweden	2,129	1,848	1,653	1,846	–
Finland	2,411	2,286	2,066	1,911	–
United States	29,774	26,787	28,623	29,963	–
Feed use					
Norway	67	45	29	31	–
Sweden	139	110	63	81	–
Finland	58	41	45	NA	–
United States	1,000	827	744	715	–

[1] The entries under "fluid use" are the official data for the respective countries. In the case of the 3 Nordic countries these differ from data published elsewhere by FAS, which are based solely on the division of total fluid use by population.

Sources: FAS; Economic Research Service, USDA.

TABLE 4.–BUTTER SUPPLY AND DISTRIBUTION: NORWAY, SWEDEN, AND FINLAND, WITH U.S. COMPARISONS, SELECTED YEARS, 1964-1976

Country	1964	1968	1972	1976	
				Total	Per capita[1]
	Thous. MT	*Thous. MT*	*Thous. MT*	*Thous. MT*	*Kg*
Production					
Norway	20	24	21	24	–
Sweden	80	66	56	61	–
Finland	105	101	83	82	–
United States	666	533	500	444	–
Consumption					
Norway	14	23	19	22	5.4
Sweden	70	58	47	52	6.3
Finland	82	74	67	60	12.7
United States	618	538	472	427	2.0
Exports					
Norway	6	1	2	0	–
Sweden	9	7	11	9	–
Finland	24	18	19	21	–
United States[2]	140	19	24	2	–
Imports					
Norway	0	0	0	0	–
Sweden	0	0	0	0	–
Finland	0	0	0	0	–
United States	1	1	1	1	–

[1] Except for the United States these data are computed by dividing FAS estimates of disappearance by the respective populations; therefore, these data do not necessarily correspond with official per capita data. [2] Including shipments to territories.

Sources: FAS; the Economic Research Service, USDA.

TABLE 5.–CHEESE SUPPLY AND DISTRIBUTION: NORWAY, SWEDEN, AND FINLAND, WITH U.S. COMPARISONS, SELECTED YEARS, 1964-1976

Country	1964	1968	1972	1976	
				Total	Per Capita[1]
	Thous. MT	*Thous. MT*	*Thous. MT*	*Thous. MT*	*Kg*
Production					
Norway	42	46	57	62	–
Sweden	57	59	66	84	–
Finland	35	33	46	57	–
United States	782	879	1,181	1,513	–
Consumption					
Norway	32	33	37	41	10.2
Sweden	61	66	73	98	11.9
Finland	13	18	25	29	6.1
United States	817	956	1,237	1,541	7.2
Exports					
Norway	12	15	19	21	–
Sweden	5	4	3	3	–
Finland	22	17	20	30	–
United States[2]	11	12	14	16	–
Imports					
Norway	0	0	0	1	–
Sweden	9	11	12	17	–
Finland	0	0	0	0	–
United States	35	78	81	94	–

[1] Except for the United States, these data are computed by dividing FAS estimates of disappearance by the respective populations; therefore, these data do not necessarily correspond with official per capita data. [2] Including shipments to territories.

Sources: FAS; the Economic Research Service, USDA.

TABLE 6.–NONFAT DRY MILK, SUPPLY AND DISTRIBUTION: NORWAY, SWEDEN, AND FINLAND, WITH U.S. COMPARISONS, SELECTED YEARS, 1964-1976

Country	1964	1968	1972	1976
	Thous. MT	*Thous. MT*	*Thous. MT*	*Thous. MT*
Production				
Norway	6	7	10	8
Sweden	23	38	50	44
Finland	14	47	46	86
United States	987	723	554	420
Consumption[1]				
Norway	6	8	8	9
Sweden	20	36	32	34
Finland	14	47	40	85
United States	524	525	438	355
Exports				
Norway	0	0	2	0
Sweden	3	2	19	31
Finland	0	0	6	1
United States	606	190	138	61
Imports				
Norway	0	0	0	0
Sweden	0	0	1	0
Finland	0	0	0	0
United States	1	1	1	1

[1] Including both human use and animal feed.

Sources: FAS; Economic Research Service, USDA.

TABLE 7.–MONTHLY MILK DELIVERIES: NORWAY, SWEDEN, AND FINLAND, WITH U.S. COMPARISONS, 1976

Month	Norway	Sweden	Finland	United States[1]
	Thous. MT	*Thous. MT*	*Thous. MT*	*Thous. MT*
January	150	250	212	4,358
February	140	238	196	4,222
March	162	264	229	4,673
April	168	284	251	4,754
May	174	308	302	5,038
June	165	300	303	4,906
July	147	279	282	4,741
August	135	262	283	4,587
September	131	237	238	4,362
October	136	228	204	4,374
November	144	221	198	4,188
December	152	238	208	4,390
Total	1,804	3,109	2,906	54,593
Average	150	259	242	4,549
	Percent	*Percent*	*Percent*	*Percent*
January	100	97	88	96
February[2]	96	95	84	96
March	108	102	85	103
April	112	110	104	104
May	116	119	125	111
June	109	116	125	108
July	98	108	116	104
August	90	101	117	101
September	87	91	98	96
October	90	88	84	96
November	95	85	82	92
December	101	92	86	96

[1] Production. [2] February adjusted for length of month.

Sources: OECD; Economic Research Service, USDA.

APPENDIX II.

The official ruling of the U.S. Customs Service, Department of the Treasury, on countervailing duties against cheese imports from Norway (Federal Register, May 28, 1976) follows:

The official ruling of the U.S. Customs Service, Department of the Treasury, on countervailing duties against cheese imports from Sweden (Federal Register, July 1, 1976) follows:

The official ruling of the U.S. Customs Service, Department of the Treasury, on countervailing duties against cheese imports from Finland (Federal Register, June 18, 1976) follows:

Title 19—Customs Duties

CHAPTER I—UNITED STATES CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

[T.D. 76-152]

PART 159—LIQUIDATION OF DUTIES

Countervailing Duties—Cheese, Other Than Jarlsberg, From Norway

Notice of countervailing duties to be imposed under section 303, Tariff Act of 1930, as amended, by reason of the payment or bestowal of a bounty or grant upon the manufacture, production or exportation of cheese, other than Jarlsberg, from Norway.

On November 26, 1975, a "Notice of Preliminary Countervailing Duty Determination" was published in the FEDERAL REGISTER (40 FR 54843). The notice stated that on the basis of an investigation conducted pursuant to section 159.47(c), Customs Regulations (19 CFR 159.47(c)), a preliminary determination was made that bounties or grants are being paid or bestowed, directly or indirectly, within the meaning of section 303, Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to in this notice as "the Act") on the manufacture, production or exportation of cheese from Norway. Measures preliminarily determined to constitute bounties or grants included a consumer subsidy, a basic support subsidy, and a freight rate subsidy made by the Government of Norway to the dairy farmers. Two other programs were determined preliminarily not to constitute bounties or grants.

The notice further stated that before a final determination would be made in the proceeding, consideration would be given to any relevant data, views or arguments submitted in writing on or before June 28, 1976.

After consideration of all information received, it is hereby determined that bounties or grants are paid or bestowed, directly or indirectly, on exports of cheese, other than Jarlsberg, from Norway within the meaning of section 303 of the Act. The bounties or grants are in the form of a consumer subsidy, a basic support subsidy and a freight subsidy which are paid by the Government of Norway to the dairy farmers which have the effect of subsidizing exports as well as domestic dairy products. The regional support program and the agricultural development fund are determined not to be bounties or grants.

The bounties or grants noted also apply to Jarlsberg type cheese. However, on May 12, 1976, the Secretary was notified by the Government of Norway that it was adjusting prices so as to eliminate said bounties or grants. Prices and government supports paid on Jarlsberg will be reviewed periodically to ensure continued elimination of the bounties or grants.

Accordingly, notice is hereby given that cheese, other than Jarlsberg, imported directly or indirectly from Norway, if entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the FEDERAL REGISTER, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

Effective on or after May 28, 1976 and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of such dutiable cheese, other than Jarlsberg, imported directly or indirectly from Norway, which benefit from bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in amounts to be ascertained.

The liquidation of all entries for consumption or withdrawal from warehouse for consumption of such dutiable cheese, other than Jarlsberg, from Norway, which benefit from these bounties or grants and are subject to this order, shall be suspended pending declarations of the net amounts of the bounties or grants paid.

Notwithstanding the above, a "Notice of Waiver of Countervailing Duties" is being published concurrently with this order which covers cheese, other than Jarlsberg, from Norway in accordance with section 303(d) of the Act. At such time as the waiver ceases to be effective, in whole or in part, a notice will be published setting forth the deposit of estimated countervailing duties which will be required at the time of entry, or withdrawal from warehouse, for consumption of each product then subject to the payment of countervailing duties.

It is also determined that no bounties or grants are paid or bestowed, directly or indirectly, on exports of Jarlsberg cheese from Norway within the meaning of section 303 of the Act. In view of the recent decision by the Government of Norway to increase prices on exports of Jarlsberg cheese to the United States by July 1, 1976, the bounties or grants which were determined preliminarily to exist have been eliminated. Should bounties or grants be reinstituted on exports of Jarlsberg cheese from Norway, the Treasury Department will reopen its investigation as to the existence of bounties or grants under section 303 of the Act.

The table in section 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting in the column headed "Country," the name "Norway." The column headed "Commodity" is amended by inserting the word "Cheese, other than Jarlsberg." The column headed "Treasury Decision" is amended by inserting the number of this Treasury Decision, and the words "Bounty Declared—Rate" in the column headed "Action."

(Section 303 of the Act. (R.S. 251, sections 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2050; 19 U.S.C. 66, 1303, as amended, 1624).)

VERNON D. ACREE,
Commissioner of Customs.

Approved: May 21, 1976.

DAVID R. MACDONALD,
Assistant Secretary of the Treasury.

[FR Doc.76-15631 Filed 5-27-76;8:45 am]

[T.D. 76-153]

PART 159—LIQUIDATION OF DUTIES

Waiver of Countervailing Duties—Cheese, Other Than Jarlsberg, From Norway

Determination under section 303(d), Tariff Act of 1930, as amended, to waive countervailing duties.

In T.D. 76-152, published concurrently with this determination, it has been determined that bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), are being paid or bestowed, directly or indirectly, upon the manufacture, production or exportation of cheese, other than Jarlsberg, from Norway.

Section 303(d) of the Tariff Act of 1930, as added by the Trade Act of 1974 (Pub. L. 93-618, January 3, 1975), authorizes the Secretary of the Treasury to waive the imposition of countervailing duties during the 4-year period beginning on the date of enactment of the Trade Act of 1974 if he determines that:

(1) Adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise;

(2) There is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

(3) The imposition of the additional duty under this section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Based upon analysis of all the relevant factors and after consultations with interested agencies, I have concluded that steps have been taken to reduce substantially the adverse effects, or potential adverse effects, of the bounty or grant. Primarily, bounties or grants have been eliminated on Jarlsberg, which accounts for 93% of Norwegian cheese imported into the U.S. In addition, the temporary waiver is conditioned on the absence of aggressive marketing of cheese other than Jarlsberg which would increase these exports substantially from historic levels.

After consulting with appropriate agencies, including the Department of State, the Office of Special Representative for Trade Negotiations, and the Department of Agriculture, I have further concluded (1) that there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and (2) that the imposition of countervailing duties on cheese, other than Jarlsberg, from Norway would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Accordingly, pursuant to section 303(d) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(d)), I hereby waive the imposition of countervailing duties as well as the suspension of liquidation ordered in T.D. 76-152 on cheese, other than Jarlsberg, from Norway.

This determination may be revoked, in whole or in part, at any time and shall be revoked whenever the basis supporting such determination no longer exists. Unless sooner revoked or made subject to a resolution of disapproval adopted by

Continued on page 24

CHAPTER 1—UNITED STATES CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

[T.D. 76-188]

PART 159—LIQUIDATION OF DUTIES

Cheese From Sweden

Notice of countervailing duties to be imposed under section 303, Tariff Act of 1930, as amended, by reason of the payment or bestowal of a bounty or grant upon the manufacture, production or exportation of cheese from Sweden.

On January 5, 1976, a "Notice of Preliminary Countervailing Duty Determination" was published in the FEDERAL REGISTER (41 FR 782). The notice stated that on the basis of an investigation conducted pursuant to section 159.47(c), Customs Regulations (19 CFR 159.47 (c)), a preliminary determination was made that bounties or grants are being paid or bestowed, directly or indirectly, within the meaning of section 303, Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to in this notice as "the Act") on the manufacture, production or exportation of cheese from Sweden. The measure preliminarily determined to constitute bounties or grants included an export subsidy payment on cheese made from the equalization fund available to Swedish dairy producers.

The notice further stated that before a final determination would be made in the proceeding, consideration would be given to any relevant data, views or arguments submitted in writing within 30 days from the date of publication of the notice of preliminary determination.

After consideration of all information received, it is hereby determined that bounties or grants are being paid or bestowed, directly or indirectly, on exports of cheese from Sweden within the meaning of section 303 of the Act. The bounties or grants are in the form of consumer subsidies paid by the Government of Sweden to the dairy farmers which have the effect of subsidizing exports as well as domestic dairy products. In addition, bounties or grants are being paid in the form of export subsidies on cheese by the Government of Sweden.

Accordingly, notice is hereby given that cheese imported directly or indirectly from Sweden, if entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the FEDERAL REGISTER, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

Effective on or after July 1, 1976, and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of such dutiable cheese from Sweden, which benefit from these bounties or grants and are subject to this order, liquidation shall be suspended pending declaration of the net amounts of the bounties or grants paid.

Notwithstanding the above, a "Notice of Waiver of Countervailing Duties" is being published concurrently with this order which covers cheese from Sweden in accordance with section 303(d) of the Act. At such time as the waiver ceases to be effective, in whole or in part, a notice will be published setting forth the deposit of estimated countervailing duties which will be required at the time of entry, or withdrawal from warehouse, for consumption of each product then subject to the payment of countervailing duties.

§ 159.47 [Amended]

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting in the column headed "Country," the name "Sweden". The column headed "Commodity" is amended by inserting the word "Cheese." The column headed "Treasury Decision" is amended by inserting the number of this Treasury Decision, and the words "Bounty Declared—Rate" in the column headed "Action."

(Sec. 303 of the Act. (R.S. 251, as amended, sections 303, as amended, 624, 46 Stat. 687, 759 (19 U.S.C. 66, 1308, 1624)).

LEONARD LEHMAN,
Acting Commissioner of Customs.

Approved: June 18, 1976.

DAVID R. MACDONALD,
Assistant Secretary of the Treasury.

[FR Doc.76-19030 Filed 6-30-76;8:45 am]

[T.D. 76-189]

PART 159—LIQUIDATION OF DUTIES

Cheese From Sweden

Determination under section 303(d), Tariff Act of 1930, as amended, to waive countervailing duties.

In T.D. 76-183, published concurrently with this determination, it has been determined that bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), are being paid or bestowed, directly or indirectly, upon the manufacture, production or exportation of cheese from Sweden.

Section 303(d) of the Tariff Act of 1930, as added by the Trade Act of 1974 (Pub. L. 93-618, January 3, 1975), authorizes the Secretary of the Treasury to waive the imposition of countervailing duties during the 4-year period beginning on the date of enactment of the Trade Act of 1974 if he determines that:

(1) Adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise;

(2) There is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

(3) The imposition of the additional duty under this section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Based upon analysis of all the relevant factors, and after consultation with interested agencies, I have concluded that adequate steps have been taken to reduce substantially the adverse effects, or potential adverse effects, of the bounty or grant. Specifically the Government of Sweden has eliminated the export restitution payment on Herrgaard and Greve cheeses, which are classified by the U.S. as Emmenthal-type cheeses. In addition, restitution payments on Colby and Cheddar cheeses, the only cheeses exported from Sweden to the United States for further processing, have been eliminated.

Furthermore, the waiver will remain in effect so long as there is no aggressive marketing of Swedish cheeses on which marketing of Swedish cheeses on which export subsidies continue in the U.S. these exports substantially from historic levels.

After consulting with appropriate agencies, including the Department of State, the Office of Special Representative for Trade Negotiations, and the Department of Agriculture, I have further concluded (1) that there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and (2) that the imposition of countervailing duties on cheese from Sweden would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Accordingly, pursuant to section 303 (d) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(d)), I hereby waive the imposition of countervailing duties as well as the suspension of liquidation ordered in T.D. 76-188 on cheese from Sweden.

This determination may be revoked, in whole or in part, at any time and shall be revoked whenever the basis supporting such determination no longer exists. Unless sooner revoked or made subject to a resolution of disapproval adopted by either House of the Congress of the United States pursuant to section 303(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(e)), this waiver of countervailing duties will, in any event, by statute cease to have force and effect on January 4, 1979.

On or after July 1, 1976, a notice revoking this determination in whole or in part, the day after the date of adoption by either House of Congress of a resolution disapproving this "Waiver of Countervailing Duties" or January 4, 1979, whichever occurs first, countervailing duties will be assessable on cheese imported directly or indirectly from Sweden in accordance with T.D. 76-188 published concurrently with this determination.

§ 159.47 [Amended]

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting after the last entry from Sweden under the commodity heading "Cheese", the number of this Treasury Decision in the column heading "Treasury Decision", and the words "Imposition of countervailing duties waived" in the column headed "Action".

(R.S. 251, secs. 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2051, 2052; 19 U.S.C. 66, 1303, as amended, 1624).

DAVID R. MACDONALD,
Assistant Secretary of the Treasury.

JUNE 17, 1976.

[FR Doc.76-19031 Filed 6-30-76;8:45 am]

[T.D. 76-173]

PART 159—LIQUIDATION OF DUTIES

Countervailing Duties—Cheese From Finland

Notice of countervailing duties to be imposed under section 303, Tariff Act of 1930, as amended, by reason of the payment or bestowal of a bounty or grant upon the manufacture, production or exportation of cheese from Finland.

On December 16, 1975, a "Notice of Preliminary Countervailing Duty Determination" was published in the FEDERAL REGISTER (41 FR 58323). The notice stated that on the basis of an investigation conducted pursuant to § 159.47(c), Customs Regulations (19 CFR 159.47 (c)), a preliminary determination was made that bounties or grants are being paid or bestowed, directly or indirectly, within the meaning of section 303, Tariff Act of 1930, as amended (19 U.S.C. 1303) (referred to in this notice as "the Act") on the manufacture, production or exportation of cheese from Finland. Measures preliminarily determined to constitute bounties or grants included an export subsidy, a milk support payment, freight rate assistance, regional support, and interest rate assistance for plant modernization.

The notice further stated that before a final determination would be made in the proceeding, consideration would be given to any relevant data, views or arguments submitted in writing on or before July 19, 1976.

After consideration of all information received, it is hereby determined that bounties or grants are being paid or bestowed, directly or indirectly, on exports of cheese from Finland within the meaning of section 303 of the Act. The bounties or grants are in the form of an export subsidy, a milk support payment, freight rate assistance, regional support, and interest rate support for plant modernization.

Accordingly, notice is hereby given that cheese imported directly or indirectly from Finland, if entered, or withdrawn from warehouse, for consumption or after the date of publication of this notice in the FEDERAL REGISTER, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

Effective on or after the date of publication of this notice in the FEDERAL REGISTER and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of such dutiable cheese from Finland, which benefit from these bounties or grants and are subject to this order, liquidation shall be suspended pending declarations of the net amounts of the bounties or grants paid.

Notwithstanding the above, a "Notice of Waiver of Countervailing Duties" is being published concurrently with this order which covers cheese from Finland in accordance with section 303(d) of the Act. At such time as the waiver ceases to be effective, in whole or in part, a notice will be published setting forth the deposit of estimated countervailing duties which will be required at the time of entry, or withdrawal from warehouse, for consumption of each product then subject to the payment of countervailing duties.

§ 159.47 [Amended]

The table in section 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting in the column headed "Country", the name "Finland". The column headed "Commodity" is amended by inserting the word "Cheese". The column headed "Treasury Decision" is amended by inserting the number of this Treasury Decision, and the words "Bounty Declared—Rate" in the column headed "Action".

(Sec. 303 of the Act. (R.S. 251, secs. 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2050; 19 U.S.C. 66, 1303, as amended, 1624).)

VERNON D. ACREE,
Commissioner of Customs.

[FR Doc.76-17897 Filed 6-17-76;8:45 am]

[T.D. 76-174]

PART 159—LIQUIDATION OF DUTIES

Waiver of Countervailing Duties—Cheese, From Finland

Determination under section 303(d), Tariff Act of 1930, as amended, to waive countervailing duties.

In T.D. 76-173, published concurrently with this determination, it has been determined that bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U.S.C. 1303), are being paid or bestowed, directly or indirectly, upon the manufacture, production or exportation of cheese from Finland.

Section 303(d) of the Tariff Act of 1930, as added by the Trade Act of 1974 (Pub L. 93-618, January 3, 1975), authorizes the Secretary of the Treasury to waive the imposition of countervailing duties during the 4-year period beginning on the date of enactment of the Trade Act of 1974 if he determines that:

(1) Adequate steps have been taken to reduce substantially or eliminate during such period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise;

(2) There is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and

(3) The imposition of the additional duty under this section with respect to such article or merchandise would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Based upon analysis of all the relevant factors and after consultations with interested agencies, I have concluded that steps have been taken to reduce substantially the adverse effects of the bounty or grant. Specifically, the Government of Finland has agreed to reduce the export subsidy on emmenthaler cheese, which comprises 70% of total Finnish cheese exports to the United States, by 30¢ per pound by the end of 1976. A further reduction of 10¢ per pound on cuts and 21¢ per pound on blocks and any remaining export subsidy on wheels may be required during 1977 for continuation of the waiver, depending on market conditions at the end of 1976. The waiver is conditioned on the ratio of emmenthaler wheels, cuts, and blocks exported to the U.S. remaining at approximately their present relationship. Finally the waiver is conditioned on the absence of aggressive marketing of cheese exports to the U.S. other than emmenthaler, the effect of which is to increase these quantities beyond historic levels.

After consulting with appropriate agencies, including the Department of State, the Office of Special Representative for Trade Negotiations, and the Department of Agriculture, I have further concluded (1) that there is a reasonable prospect that, under section 102 of the Trade Act of 1974, successful trade agreements will be entered into with foreign countries or instrumentalities providing for the reduction or elimination of barriers to or other distortions of international trade; and (2) that the imposition of countervailing duties on cheese from Finland would be likely to seriously jeopardize the satisfactory completion of such negotiations.

Accordingly, pursuant to section 303 (d) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(d)), I hereby waive the imposition of countervailing duties as well as the suspension of liquidation ordered in T.D. 76-173 on cheese from Finland.

This determination may be revoked, in whole or in part, at any time and shall be revoked whenever the basis supporting such determination no longer exists. Unless sooner revoked or made subject to a resolution of disapproval adopted by either House of the Congress of the United States pursuant to section 303(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(e)), this waiver of countervailing duties will, in any event, by statute cease to have force and effect on January 4, 1979.

On or after the date of publication in the FEDERAL REGISTER of a notice revoking this determination in whole or in part, the day after the date of adoption by either House of Congress of a resolution disapproving this "Waiver of Countervailing Duties", or January 4, 1979, whichever occurs first, countervailing duties will be assessable on cheese imported directly or indirectly from Finland in accordance with T.D. 76-173 published concurrently with this determination.

§ 159.47 [Amended]

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting after the last entry from Finland under the commodity heading "Cheese" the number of this Treasury Decision in the column heading "Treasury Decision", and the words "Imposition of countervailing duties waived" in the column headed "Action".

(R.S. 251, secs. 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2051, 2052; 19 U.S.C. 66, 1303, as amended, 1624.)

DAVID R. MACDONALD,
Assistant Secretary of the Treasury.

JUNE 14, 1976.

[FR Doc.76-17898 Filed 6-18-76;8:45 am]

Continued from page 21

either House of the Congress of the United States pursuant to section 303(e) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(e)), this waiver of countervailing duties will, in any event, by statute cease to have force and effect on January 4, 1979.

On or after the date of publication in the FEDERAL REGISTER of a notice revoking this determination in whole or in part, the day after the date of adoption by either House of Congress of a resolution disapproving this "Waiver of Countervailing Duties", or January 4, 1979, whichever occurs first, countervailing duties will be assessable on cheese, other than Jarlsberg, imported directly or indirectly from Norway in accordance with T.D. 76-152 published concurrently with this determination.

The table in section 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting after the last entry from Norway under the commodity heading "Cheese, other than Jarlsburg", the number of this Treasury Decision in the column heading "Treasury Decision", and the words "Imposition of countervailing duties waived" in the column headed "Action".

(R.S. 251, secs. 303, as amended, 624; 46 Stat. 687, 759, 88 Stat. 2051, 2052; 19 U.S.C. 66, 1303, as amended, 1624)

DAVID R. MACDONALD,
Assistant Secretary
of the Treasury.

MAY 21, 1976.

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